CHAPTER 7 PERSONAL PROPERTY TAX

700 GENERAL PROVISIONS

700.1 The provisions of this chapter shall govern the filing of personal property tax returns and the payment of the personal property tax in the District of Columbia.

700.2 For the purposes of this section, the words, terms and phrases defined in §2 of the Act shall have the same meanings when used in this chapter.

700.3 For purposes of this section, the following words shall have the meanings set forth in this subsection:

(a) "Actual cost" means cash price or its equivalent value plus all other costs (including installation and delivery) necessary to make an asset ready for intended use. The actual cost shall not include trade-in allowance;

(b) "Assessment date" means July 1st;

(c) "Office" means the Office of Tax and Revenue;

(d) "Fiduciary" means a trustee, guardian, executor, administrator or receiver;

(e) "Leasehold improvements" means additions or improvements made to the property at the expense of the lessor or lessee;

(f) "Material injury" means serious physical damage or substantial degree of damage to the property which renders it to be nonfunctional;

(g) "Original cost" with respect to any item of personal property means as follows:

(1) In the case of acquisition by purchase, the actual cost of acquiring the property to the purchaser;

(2) In the case of tangible personal property fabricated and erected by the taxpayer for its own use, original cost includes in addition to the cost of any goods which become a part of the finished property, all direct and indirect costs of engineering, design, construction and erection;

(3) In the case of acquisition by an exchange of property, the fair market value of the property given in exchange or, if such property has no market value, the original cost of the property given in exchange;

(4) In the case of property acquired from a decedent's estate, the fair market value of the property at the time of the decedent's death;

(5) In the case of property acquired as a gift for no consideration, the original cost to the last owner of the property who acquired it for a consideration; and

(6) In the case of sale of the business, the fair market value of the property at the time of the sale;

(h) "Semipublic institution" means any corporation and any community chest, fund, or foundation, organized exclusively for religious, scientific, charitable, or educational purposes, including hospitals, no part of the net earnings of which inures to the benefit of any private shareholder or individual; and

(i) "Taxable situs" means the physical location of the personal property.

700.4 The obligation to file a return shall not be diminished or affected by the failure of the Office to deliver or mail forms to a taxpayer. It is the responsibility of the taxpayer to obtain forms from the Office and file a timely return.

700.5 Any person filing an application for extension of time to file a personal property tax return shall attach a copy of the application to the return when filed.

700.6 When filing a written request for a hearing in response to the notice of tax deficiency, the taxpayer shall make a statement as to the issues in dispute and submit the laws, regulations, and facts in support of the taxpayer's contentions on the disputed issues.

AUTHORITY: Unless otherwise noted, the authority for this chapter is the Personal Property Tax Amendment Act of 1986, effective February 28, 1987, D.C. Law 6-212, D.C. Code 47-1521 *et seq.* (1981 Ed.).

SOURCE: Final Rulemaking published at 35 DCR 6014 (August 5, 1988).

EDITOR'S NOTE: Prior to August 5, 1988, the Department of Finance and Revenue published Final Rulemaking notice at 22 DCR 4445 (February 17, 1976).

The Office of the Chief Financial Officer of the District of Columbia published a Notice of Public Interest at 44 DCR 2345 (April 18, 1997) changing the name of the "Department of Finance and Revenue" to the "Office of Tax and Revenue."

701 LEASED TANGIBLE PERSONAL PROPERTY

701.1 Leased tangible personal property is any tangible personal property which is leased, rented, used or otherwise made available to a person other than the owner under a written or unwritten bailment agreement.

701.2 Leases shall be classified as either capital leases or operating leases.

701.3 Capital Leases shall include sales-type leases, direct financing leases and leveraged leases.

701.4 Capital Leases shall be capitalized by the lessee for federal income tax purposes, and shall meet one or more of the following conditions:

(a) Ownership of the tangible personal property is transferred to the lessee at, or before, the end of the lease term;

(b) The lease permits the lessee to purchase the property or renew the lease at a price or rental which is substantially less than the estimated market value or fair rental of the leased property at the time of the option to purchase or renew the lease is exercised;

(c) Some portion of the periodic payments is specifically designated as interest or is otherwise readily recognizable as the equivalent of interest;

(d) The lease term is equal to seventy-five percent (75%) or more of the estimated economic life of the leased property; or

(e) The present value of the minimum lease payments equals or exceeds ninety percent (90%) of the fair market value of the leased property at the inception of the lease.

701.5 Operating Leases shall include all other leases.

701.6 Tangible personal property is deemed to be leased at the time the property is actually in the possession of the lessee under a contract of lease.

701.7 The lessee of tangible personal property covered by a capital lease has the responsibility for reporting the property for taxation and assessment on the return if the leased tangible personal property is physically located in the District of Columbia on the assessment date.

701.8 The lessor of tangible personal property covered by an operating lease has the responsibility for reporting such property for taxation and assessment on the return if the leased tangible personal property is physically located in the District of Columbia on the assessment date. The fact that lessee pays the personal property tax as specified in the operating lease contract does not relieve the lessor's responsibility for reporting the tangible personal property.

701.9 Any tangible personal property which is covered by an operating lease and which is leased to a nonprofit organization or an agency of the federal, state or local government shall be reported for taxation and assessment on the return by the lessor if the leased tangible personal property is physically located in the District of Columbia on the assessment date.

701.10 Any tangible personal property covered by a capital lease which is leased to a nonprofit organization that does not have a personal property tax exemption shall be reported for assessment and taxation on the return by the lessee if the leased tangible personal property is physically located in the District of Columbia on the assessment date.

701.11 Any lessor of tangible personal property covered by a capital lease, who is required to file the return for his or her own tangible personal property, shall report on the return the type of property, lessee's name and complete address, original retail cost, commencement date of the lease and annual rental cost.

701.12 Any lessee of tangible personal property covered by an operating lease, who is required to file the return for his or her own tangible personal property, shall report on the return of the following:

(a) The type of property;

(b) The lessor's name and complete address;

(c) The original retail cost;

(d) The commencement date of the lease; and

(e) The annual rental cost.

701.13 When the leased tangible personal property is taxed to the lessee, it shall be valued at full and true value (original cost), as if the lessee is the owner of the property at the inception of the lease term.

SOURCE: Final Rulemaking published at 35 DCR 6014, 6016 (August 5, 1988).

EDITOR'S NOTE: Prior to August 5, 1988, the Department of Finance and Revenue published Final Rulemaking notice at 22 DCR 4445 (February 17, 1976).

702 LEASEHOLD IMPROVEMENTS

702.1 Any real property improvement that does not become an integral part of the realty and leasehold improvements shall be subject to personal property tax if the improvement meets the following conditions:

(a) Primary function of the improvement is distinct and different from the functions ordinarily performed by the realty;

(b) The improvement is devoted primarily to the functions of the business conducted by the person who made the annexation;

(c) The improvement can be removed without material injury to the real property;

(d) The improvement can be removed without material injury to the improvement itself; and

(e) The improvement is not intended to be affixed permanently to real property by the person who makes the annexation at that time.

702.2 For purposes of §702.1(e), the intention of the person making the annexation shall be inferred from the following;

(a) The nature of the affixed improvement;

(b) The relationship of the person making the annexation to the owner of the real property and the circumstances surrounding the transaction between these parties;

(c) The structure and mode of annexation;

(d) The existence of an agreement between the parties involved; and

(e) The purpose or use for which the annexation has been made.

702.3 Leasehold improvements shall include, but are not limited to, the following:

(a) Foundations;

(b) Pilings; and

(c) Supports related to the installation and use of personal property.

702.4 Improvements to real property that are personal property include, but are not limited to, personal property attached to the extent that the items are related to activities or processes conducted within or without the real property if the personal property is an integral part of the activity.

702.5 The following are examples of improvements to real property which are personal property for purposes of this section and the Act:

(a) Shelving, bins, counters, and related items;

(b) Nonpermanent partitions;

(c) Supplemental heating; humidification, and air conditioning;

(d) Extraordinary lighting; electrical and plumbing facilities;

(e) Carpeting over finished floor; and

(f) Draperies used as secondary window covering.

702.6 Any improvement to be taxed as personal property shall be valued in the same manner as any other depreciable personal property owned.

SOURCE: Final Rulemaking published at 35 DCR 6014, 6017 (August 4, 1988).

EDITOR'S NOTE: Prior to August 5, 1988, the Department of Finance and Revenue published Final Rulemaking notice at 22 DCR 4445, 4447 (February 17, 1976).

703 SPECIAL EQUIPMENT MOUNTED ON A MOTOR VEHICLE OR TRAILER

703.1 Special equipment mounted on a motor vehicle or trailer and not used primarily for the transportation of persons or property shall be taxed as tangible personal property.

703.2 For the valuation of special equipment, the original cost allocated to the registered motor vehicle or trailer shall be excluded from the total original cost of the special equipment and the registered motor vehicle or trailer.

SOURCE: Final Rulemaking published at 35 DCR 6014, 6018 (August 5, 1988).

EDITOR'S NOTE: Prior to August 5, 1988, the Department of Finance and Revenue published Final Rulemaking notice at 22 DCR 4445, 4448 (February 17, 1976).

704 REPORTING REQUIREMENTS

704.1 Construction companies, doing business in the District of Columbia at any time from July 2nd of the preceding tax year to July 1st of the current tax year, shall apportion the current value of tangible personal property as of July 1st of the current tax year in accordance with the number of days the tangible personal property was temporarily located in the District of Columbia.

704.2 Any person owning or holding in trust any tangible personal property located or having taxable situs in two (2) or more business locations within the District of Columbia on the assessment date shall report all tangible personal property on one return.

704.3 Any nonprofit organization which does not have a personal property tax exemption shall report for assessment and taxation on the return any tangible personal property which is located or has taxable situs in the District of Columbia on the assessment date.

704.4 The fiduciary shall report on the return any tangible personal property held in trust which is located or has a taxable situs in the District of Columbia on the assessment date and is used or available for use in a trade or business.

704.5 The owner of any tangible personal property is generally the holder of legal title except in either of the following circumstances:

(a) When title passes on July 1st, only the person last obtaining title on the date shall be deemed to have title on July 1st; or

(b) When tangible personal property is used as security for a debt and the debtor is in possession of the property, the debtor shall be deemed to be the owner.

704.6 Any tangible personal property idle or not placed in service and located or having a taxable situs in the District of Columbia on the assessment date shall be reported for assessment and taxation on the return by the owner.

704.7 Any tangible personal property available for use or being used for emergency or back-up purposes and located or having a taxable situs in the District of Columbia shall be reported for assessment and taxation on the return by the owner.

704.8 Any tangible personal property that is part of construction in progress performed by the owner for eventual use in the owner's business shall be reported for assessment and taxation on the return if the tangible personal property is located or has a taxable situs in the District of Columbia on the assessment date.

704.9 Any tangible personal property which is moving through the District of Columbia or which is consigned to a warehouse in the District of Columbia for storage or assembly and which is in transit to a final destination outside the District of Columbia acquires no taxable situs in the District of Columbia and shall be exempt from taxation.

704.10 Any tangible personal property claimed to have no situs in the District of Columbia shall be entered in the records of the warehouse in which it is located as property in transit.

704.11 The records required under §704.10 shall include the following:

(a) The date of receipt;

(b) The date of withdrawal;

(c) The point of origin; and

(d) If known, the point of ultimate destination of the property.

704.12 Any tangible personal property that is no longer in import transit and that comes to rest in the District of Columbia on the assessment date shall be reported on the return for assessment and taxation by the owner.

SOURCE: Final Rulemaking published at 35 DCR 6014, 6018 (August 5, 1988).

EDITOR'S NOTE: Prior to August 5, 1988, the Department of Finance and Revenue published Final Rulemaking notice at 22 DCR 4445, 4448 (February 17, 1976).

705 DEPRECIATION

705.1 Depreciation rates, in general, shall be published in the instructions for filing a personal property tax return.

705.2 The depreciation rate on a specific type of tangible personal property that is not shown in the instructions for filing a personal property tax return may be obtained from the Office.

705.3 Accelerated depreciation methods shall not be used to compute the current value of the tangible personal property on the return.

SOURCE: Final Rulemaking published at 35 DCR 6014, 6020 (August 5, 1988).

EDITOR'S NOTE: Prior to August 5, 1988, the Department of Finance and Revenue published Final Rulemaking notice at 28 DCR 5393 (December 18, 1981), incorporating text of Proposed Rulemaking published at 28 DCR 4112, 4116 (September 18, 1981).

706 VALUATION

706.1 In the case of a change in the taxpayer's organizational structure, any substituted basis of value other than the original cost shall not be used if the taxpayer's organizational structure or entity change embraces the same depreciable tangible personal property.

706.2 Any tangible personal property that has been appraised by the Office shall be reported on the return at that appraised value for the tax year being appraised.

706.3 Regarding the allowance for depreciation for subsequent years, the Office shall advise the taxpayer whether the depreciation shall be allowed on appraised tangible personal property depending on the circumstances surrounding the appraisal made.

SOURCE: Final Rulemaking published at 35 DCR 6014, 6020 (August 5, 1988).

707 PERSONAL PROPERTY TAX EXEMPTION

707.1 The responsibility for establishing the right to exemption from the personal property tax shall rest upon the semipublic institution claiming the exemption.

707.2 In order to establish a personal property tax exemption, the semipublic institution shall file an application with the Office showing the following:

(a) The character of the organization;

(b) The purpose for which it was organized;

(c) The actual activities of the organization;

(d) The sources of income of the organization;

(e) Whether any of the income of the organization is credited to surplus or may inure to the benefit of any private shareholder or individual; and

(f) All facts relating to its operation which affect its right to exemption.

707.3 The following documents shall be attached to the application for a personal property exemption:

(a) A copy of the charter or articles of incorporation;

(b) A copy of the by-laws of the organization;

(c) The latest financial statement showing the assets, liabilities, receipts, and disbursements of the organization; and

(d) A copy of the ruling on its exemption status for federal income tax purposes from the Internal Revenue Service.

707.4 The effective date for a personal property tax exemption granted shall be the July 1st following the date of the initial application request."

SOURCE: Final Rulemaking published at 35 DCR 6014, 6020 (August 5, 1988).

708 DEPRECIATION GUIDELINES

708.1 For the personal property tax year beginning July 1, 1989 and ending June 30, 1990 (Tax Year 1990) and thereafter, the depreciation guide set forth in §§708.2 through 708.9 shall be used for the tangible personal property acquired on or after July 2, 1988.

708.2 Assets shall not be depreciated in excess of seventy-five percent (75%) of original cost.

708.3 Each category of tangible personal property defined in §§708.4 through 708.9 shall include, but not limited to, the items listed.

708.4 The following items shall be included in Category A and shall be depreciated at the rate of ten percent (10%) per annum:

(a) Air conditioning equipment (compressors, ducts, package units, and window units);

(b) Asphalt, cement, and slurry plants and equipment;

(c) Automobile repair shop and gasoline service station equipment;

(d) Automobile sales agency furniture, fixtures, and equipment;

(e) Bakery equipment;

(f) Banking furniture, fixtures and equipment (automatic teller machines);

708.4 (Continued)

(g) Barber shop, beauty salon and cosmetic salon furniture, fixtures and equipment;

(h) Bottling equipment;

(i) Bowling alley equipment;

(j) Burglar alarm, security alarm, and monitoring system;

(k) Catering equipment;

(l) Clay products manufacturing equipment;

(m) Cold storage, ice making, and refrigeration equipment;

(n) Conveyors;

(o) Dentist's and physician's offices - furniture and equipment;

(p) Department store furniture, fixtures, and equipment;

(q) Drug store furniture, fixtures, and equipment;

(r) Emergency power generators;

(s) Fire extinguishing systems;

(t) Garbage disposals, trash compactors, and trash containers;

(u) Hotel and motel furniture, fixtures and equipment (restaurant, bar, meeting rooms, office, rooms, lobby, and other public rooms);

(v) Intercom system;

(w) Kitchen equipment;

(x) Laundries and dry cleaning equipment;

(y) Libraries;

(z) Mail chutes and mail boxes;

(aa) Musical instruments (portable);

(bb) Office furniture, fixtures, and equipment (any kind whether modular or system furniture, desks, chairs, cabinets, shelving, awnings, typewriters, calculators, adding machines, files, partitions, carrels, cash registers, paper cutters);

708.4 (Continued)

(cc) Paper products industry machinery and equipment;

(dd) Printing industry machinery and equipment;

(ee) Pulp industry machinery and equipment;

(ff) Restaurant, carry-out, supermarket and delicatessen furniture, fixtures and equipment;

(gg) Shoe repairing furniture, fixtures and equipment;

(hh) Signs (neon and others);

(ii) Special tools (dies, jigs, gauges, molds);

(jj) Surveying and drafting equipment;

(kk) Theater furniture and equipment;

(ll) X-ray and diagnostic equipment; and

(mm) Wax museum (wax figures, displays, sets, barriers, rails).

708.5 The following items shall be included in Category B and shall be depreciated at the rate of six and sixty-seven hundredth of a percent (6.67%) per annum:

(a) Antennas, transmitting towers, fiber optic cables, shelters, satellite dies and repeaters;

(b) Cement, gravel and sand bins;

(c) Pianos and organs;

(d) Plating equipment;

(e) Safes; and

(f) Watercrafts, docks, slips, wharves, piers and floating equipment (boats, ships, barges).

708.6 The following item shall be included in Category C and shall be depreciated at the rate of twelve and five-tenths percent (12.5%) per annum:

(a) Building and lawn maintenance equipment;

(b) Car wash equipment;

708.6 (Continued)

(c) Construction, road paving and road maintenance equipment;

(d) Fabricated metal products machinery and equipment (machine shop];

(e) Hospital and nursing home furniture, fixtures and equipment;

(f) Junk yard machinery and equipment;

(g) Meat, fruit and vegetable packing equipment;

(h) Meters, tickometers and automatic mailer equipment (Pitney Bowes];

(i) Music boxes;

(j) Non-registered motor vehicles (forklifts and golf carts);

(k) Pipe contractor machinery and equipment;

(l) Radio, television, telecommunication, microwave and satellite transmitting systems (multiplexers, switches, transmitter, receivers, telephones, fiber optic equipment, terminal equipment);

(m) Recreation, health fitness, health club, golf course and sporting equipment;

(n) Special equipment mounted on any motor vehicle (welders, compressors);

(o) Trailers; and

(p) Vending machines (cigarette, slot, change, soft drink, food).

708.7 The following items shall be included in Category D and shall be depreciated at the rate of twenty percent (20%) per annum:

(a) Blinds, drapes and shades (used as secondary window covering);

(b) Brain scanners, CAT scanners, MRI scanners and dialysis equipment;

(c) Canvas;

(d) Carpets over finished floor, loose carpets and rugs;

(e) Coffee maker and soda fountain equipment;

(f) Computers and peripheral equipment;

(g) Duplicating machines, photocopiers and photographic equipment;

(h) Hot air balloon;

708.7 (Continued)

(i) Outdoor Christmas decorations;

(j) Portable toilets;

(k) Self-service laundries (washer, dryer);

(l) Swimming pool furniture, fixtures and equipment;

(m) Telephone answering equipment (beepers);

(n) Television, stereo, radio and recorder equipment;

(o) Test equipment and electronic manufacturing equipment; and

(p) Wood pallet (used in the warehouse).

708.8 The following items shall be included in Category E and shall be depreciated at the rate of fifty percent (50%) per annum:

(a) Amusement arcade machines, pinball machines and video games;

(b) Cable T.V. decoders;

(c) China, glassware, pots, pans, serving dishes, utensils and silverware (in service);

(d) Linens (in service);

(e) Microfilms, movie films and video movie tapes;

(f) Small hand tools; and

(g) Tuxedos and uniforms (in service).

708.9 The following items shall be included in Category F and shall be reported at one hundred percent (100%) of cost and shall not be depreciated:

(a) Antiques, tapestries and oriental rugs (items appreciation in value);

(b) Chemicals;

(c) Cleaning, office and other supplies;

(d) China, glassware, pots, pans, serving dishes, utensils and silverware (new in reserve);

(e) Linens (new in reserve);

(f) Oil paintings and sculptures (items appreciation in value);

708.9 (Continued)

(g) Paper products; and

(h) Tuxedos and uniforms (new in reserve).

SOURCE: Final Rulemaking published at 35 DCR 6014, 6021 (August 5, 1988).

709 PERSONAL PROPERTY TAX EXEMPTION CREDIT FOR TELECOMMUNICATION COMPANIES

709.1 Subject to the provisions of §§710.2 and 710.3 for the personal property tax year beginning July 1, 1988 and ending June 30, 1989 (tax year 1989), and for each succeeding year, each telecommunication company shall be allowed a credit against personal property tax imposed for the least of one of the following:

(a) The amount of property tax due;

(b) The amount of gross receipts taxes paid for the twelve (12) months immediately preceding the personal property tax year; or

(c) The amount of personal property tax reported for the tax year, multiplied by the following fraction:

Step One

Column (1)		Column (2)		Column (3)		Column (4)
Current personal property tax due before Column (4) credit	X	Receipts on which District gross receipts tax is paid for twelve preceding months / Gross receipts everywhere for twelve months preceding Column (1) tax year	X	Value of personal property every-where July 1 of Column (1) tax tax year / Value of property subject to District personal property tax on July 1 of Column (1) tax year	=	Credit against Column (1) tax not to exceed limits of this section

The following are examples of the application of §709.1:

(1) The taxpayer has property valued at one hundred thousand dollars ($100,000) subject to District personal property tax, and personal property everywhere of one million dollars ($1,000,000) on July 1, 1988. The amount of personal property tax due is three thousand one hundred dollars ($3,100). The corporation's total gross receipts everywhere for the twelve (12) month period which ended June 30, 1988, are twelve million dollars ($12,000,000), and receipts on which District gross receipts taxes were paid are one million dollars ($1,000,000) for this tax year. District gross receipts taxes paid are sixty-seven thousand dollars ($67,000). In this instance, the amount of the credit allowed on the tax year 1989 property tax return is two thousand five hundred eighty-three dollars ($2,583), the least of one the following:

(a) The Column (1) tax of three thousand one hundred dollars ($3,100);

709.1 (Continued)

(b) *The District gross receipts tax paid of sixty-seven thousand dollars ($67,000); or*

(c) *The results of the following computation, which is two thousand five hundred and eighty-three dollars ($2,583):*

(1)		(2)		(3)		(4)
$3,100	X	$\frac{\$1,000,000}{\$12,000,000}$	X	$\frac{\$1,000,000}{\$100,000}$	=	$2,583 exemption

(2) *Same facts as example (1) except that receipts subject to District gross receipts tax were one million four hundred thousand dollars ($1,400,000). In this instance, the allowable credit is three thousand one hundred dollars ($3,100), the amount of personal property tax payable to the District.*

(1)		(2)		(3)		(4)
$3,100	X	$\frac{\$1,400,000}{\$12,000,000}$	X	$\frac{\$1,000,000}{\$100,000}$	=	$3,617 exemption

709.2 If the allocation provisions of this section do not fairly represent the extent of the personal property tax exemption, the taxpayer may petition for, or the Mayor may require, the employment of any other method to effectuate an equitable allocation of the taxpayer's personal property tax exemption.

709.3 As used in §709.1, the term "value of personal property" shall mean, for both the numerator and denominator of the fraction, that amount carried on the taxpayer's balance sheet at original cost for the personal property shown in the fraction.

709.4 The numerator and denominator of Column (3) property values shall include property subject to the personal property tax under the provisions of the Personal Property Tax Amendment Act of 1986, effective February 28, 1987 (D.C. Law 6-212; D.C. Code §47-1521 *et seq.*) without regard for any exemption from the tax.

SOURCE: Final Rulemaking published at 34 DCR 6143, 6147 (September 25, 1987); and by Final Rulemaking published at 35 DCR 6014 (August 5, 1988), redesignating the old §701 as §709.

EDITOR'S NOTE: Prior to September 25, 1987, the Department of Finance and Revenue published Final Rulemaking notice at 22 DCR 4446 (February 17, 1976).

710 PERSONAL PROPERTY TAX EXEMPTION FOR TELECOMMUNICATIONS COMPANIES SUBJECT TO THE TELECOMMUNICATION SERVICE TAX

710.1 For the personal property tax year beginning July 1, 1990, and ending June 30, 1991 (tax year 1991), and for each succeeding year, each telecommunication company shall be allowed a credit against personal property tax for the least of the following:

(a) The amount of personal property tax due on equipment defined in §710.7;

(b) The amount of toll telecommunication service tax paid for the twelve (12) months immediately preceding the personal property tax year; or

(c) The amount of personal property tax reported on equipment defined in §710.7 multiplied by the following fraction:

Step One

Column (1)		Column (2)		Column (3)		Column (4)
Current personal property tax due on property defined in §710.7 before any Column (4) credit	X	Gross charges on toll telecommunication service tax is paid for twelve preceding months ——————— Gross charges and/or gross receipts everywhere from property defined in §710.7 for twelve months preceding Column (1) tax year: Less resales defined in §710.9	X	Value of personal property everywhere as defined in §710.7 on July 1st of Column (1) tax year ——————— Value of personal property on which Column (1) tax due is computed	X	Credit against Column (1) tax not to exceed the limits of this section

The following are examples of the application of §710.1 during the 1991 personal property tax year ending June 30, 1991:

(1) The taxpayer has §710.7 property in the District valued at one hundred thousand dollars ($100,000), property everywhere valued at one million dollars ($1,000,000) on July 1, 1990. The amount of Column (1) tax due is three thousand one hundred dollars ($3,100). No §4101.1 credit for tax paid to another jurisdiction is involved. The taxpayer's gross receipts everywhere from §710.6 property for the twelve (12) month period which ended June 30, 1990, are twelve million dollars ($12,000,000). The gross charges on which toll telecommunication service tax was paid for this same period are one million dollars ($1,000,000), and the toll telecommunication service tax paid for this same period was sixty-seven thousand dollars ($67,000). In this instance, the amount of the credit allowed on the 1991 personal property tax return is two thousand five hundred eight-three dollars ($2,583), the least of the following:

(a) The Column (1) tax of three thousand one hundred dollars ($3,100);

(b) The toll telecommunication service tax paid; or

(c) The result of the following computation, which is two thousand five hundred eighty-three dollars ($2,583):

710.1 (Continued)

(1)		(2)		(3)		(4)
\$3,100	X	*\$1,000,000 / \$12,000,000*	X	*\$1,000,000 / \$100,000*	=	*\$2,583 exemption*

(2) *Same facts as example (1) except that gross charges subject to the toll telecommunication service tax were one million four hundred thousand dollars (\$1,400,000). In this instance, the allowable credit is three thousand one hundred dollars (\$3,100), the amount of personal property tax reported in Column (1).*

(1)		(2)		(3)		(4)
\$3,100	X	*\$1,400,000 / \$12,000,000*	X	*\$1,000,000 / \$100,000*	=	*\$3,617 exemption*

710.2 For the personal property tax year beginning July 1, 1989, and ending June 30, 1990 (tax year 1990), the provisions of §710.1 shall apply except that the Column (2) numerator shall be gross receipts on which the gross receipts tax was paid under the Gross Receipts Tax Amendment Act of 1987 for the period beginning July 1, 1988, and ending February 28, 1989, added to gross charges for the period beginning March 1, 1989, and ending June 30, 1989.

710.3 For the personal property tax year beginning July 1, 1988, and ending June 30, 1989 (tax year 1989), the following procedure shall be applied, in some instances retroactively:

(a) Step One:
Section 710.1 provisions are applied except that the Column (2) numerator shall be gross receipts on which the gross receipts tax paid was under the Gross Receipts Tax Amendment Act of 1987, for the period beginning July 1, 1987, and ending February 28, 1988, added to gross charges for the period beginning March 1, 1988, and ending June 30, 1988. Any resulting credit is multiplied by one-third (1/3);

(b) Step Two:
Section 709.1 credit provisions shall be applied to the period beginning July 1, 1987, and ending June 30, 1988. Any resulting credit is multiplied by two-third (2/3); and

(c) Step Three:
The final result in Step One is added to the final result of Step Two to determine the total credit allowed against personal property tax reported on the taxpayer's 1989 return.

710.4 An amended 1989 personal property tax return shall be filed if the application of this section results in additional tax due thereon.

710.5 If the allocation provisions of this section do not fairly represent the extent of the personal property tax exemption, the taxpayer may petition for, or the Mayor may require, the employment of any other method to effectuate an equitable allocation of the taxpayer's personal property tax exemption.

The following is an example of the application of §710.5:

Before March 1, 1989, a taxpayer may have paid the District gross receipts tax on none or on only some of its gross receipts; had no gross receipts; or, had gross receipts for only some of the twelve (12) months preceding the personal property tax year at issue. In such an instance, the taxpayer may petition the Mayor to modify §710.1, 710.2 or 710.3 credit provisions, for example, by employing in the Column (2) numerator and denominator gross receipts or gross charges from the twelve (12) months concurrent with the personal property tax year rather than the preceding twelve (12) months. In this example, the taxpayer may file an amended personal property tax return after that tax year has ended to claim refund of any credit determined by operation of the modified formula described in the previous sentence.

710.6 As used in §710, the term "value of personal property" shall mean, for both the numerator and denominator of the fraction, that amount carried on the taxpayer's balance sheet at original cost for the personal property shown in the fraction.

710.7 For purposes of this section, "toll telecommunication service property" shall be limited to equipment, used wholly or in part in the transmission or reception of any sound, vision, or speech communication subject to the tax imposed by the "Toll Telecommunication Service Tax Emergency Act of 1989," and shall include, but not be limited to, the following equipment used in transmissions or receptions:

(a) Switches;

(b) Transmitters;

(c) Receivers;

(d) Telephones; and

(e) Fiber optics cable and equipment.

710.8 Section 710.1 gross charges as defined in the Act shown in the Column (2) numerator shall not include amounts on which a multistate tax credit is allowed.

710.9 Section 710.1 gross charges as defined in the Act shown in the Column (2) denominator may be reduced by gross charges from the sale of toll telecommunication service for resale to any other telecommunication company subject to the tax under the Act.

SOURCE: Final Rulemaking published at 36 DCR 2478, 2485 (April 7, 1989).